

quantities, and this, with a growing demand for them at Home, has resulted in their prices rising at a rate higher than prices in general. But the country has been more than compensated, for, as Dr. McIlraith pointed out (page 276), while the goods we export have risen about 40 per cent., the goods we import have risen only 3 or 4 per cent., and, therefore, have come into the Dominion in a rapidly increasing volume and benefited all classes of the community. This point is developed in the next chapter.

CHAPTER V.—THE STANDARD OF LIVING.

Question 3 : To what extent is the increased cost of living, if any, the result of a higher standard of living ?

Relation to
cost of living.

1. So far we have considered only one side of the account of living—that of expenditure on the schedule of living; but, with the cost of living as we have defined it, we must compare the extent of the means of defraying that cost. If out of income there is a growing surplus after this cost has been defrayed, more will be spent on satisfying old wants, and some of the surplus will be devoted to the satisfaction of new needs; in other words, the standard of living is raised. But this movement must not be confused with a rise in the cost of living. Its appearance means that the cost of living relatively to income has fallen, or that income has risen relatively to the cost of living. We must regard the latter at a uniform standard, otherwise it would be extremely difficult to make even approximately accurate comparisons of the progress in the material welfare of the people. If after a considerable period in which incomes have been advancing at a greater rate than the cost of living, and in which, therefore, the standard has risen so that that standard has become a commonplace, there then comes a slackening in the purchasing-power of income, people find it difficult to maintain this higher standard, and naturally complain that the “cost of living” is rising fast, though their ability to purchase the goods in the schedule of living may be much greater than in the earlier or middle part of the period in question. We have grounds for believing that this is the main reason for the present outcry against the rise in the cost of living—namely, that wages and similar grades of incomes have of late failed to keep pace with the prices of things included in the present extended schedule of living—a schedule different in many respects from that of twenty years ago—and that it is becoming more difficult to maintain *the rate of increase* in consumption in face of the relative falling-off in real income.

Methods of
measuring
change.

2. The rise in the standard of living may be proved to exist,—

First, by a comparison of the money wages received with the power of those wages in purchasing the commodities and services usually consumed by the wage-earning classes. If this power increases faster than the money wages, the inference is that the surplus will be devoted to increasing the material comforts of life. In fact, a comparison of the index numbers of the prices of these with the changes in earnings gives a rough measure of the improvement in the scale of living.

Secondly, by comparing the quantities consumed, per head of the population, of the necessaries and common comforts and luxuries. A great part of the increased consumption of these is accounted for by the greater demand of the workers, since the wealthier classes do not increase their expenditure on such articles at a similar rate in times of growing prosperity.

Thirdly, by comparing the relative amounts spent on rent, food, clothing, fuel and light, and other things, by the average workers at different periods. The lower the standard of comfort, the larger the proportion of income spent on food, and the lower that on things outside the necessaries of life.

Fourthly, by comparing such figures as the amounts of deposits in the savings institutions of the country, the numbers of life-insurance policies, and the importations of articles that are manufactured chiefly abroad, and may be regarded as common luxuries of the mass of the people.